Will Canopy Growth (TSX:WEED) Stock Make a Comeback in 2021?

Description

Shares of Canadian marijuana heavyweight **Canopy Growth** (TSX:WEED)(NYSE:CGC) continue to underperform the broader markets this year. WEED stock is down over 7% year to date and might move lower in the near term given its disappointing quarterly results.

Canopy Growth announced its fiscal fourth-quarter 2021 results on Tuesday and reported sales of $148.4 million, which was a growth of 38% year over year. Its net loss stood at $616.7 million, or $1.85 per share, compared to the year-ago net loss of $1.3 billion, or $3.73 per share.

Analysts covering Canopy Growth expected the company to post revenue of $151.8 million and a net loss of $0.26 per share in Q4. We can see that the company's net loss was far higher than Bay Street expectations.

Canopy Growth's adjusted EBITDA loss of $94 million was narrower than its prior-year loss of $102 million. It ended the year with $2.3 billion in cash, providing the company with enough liquidity and leeway to improve profit margins going ahead.

What impacted Canopy Growth's numbers in Q4?

Canopy Growth said it's recreational cannabis sales were up 39% year over year at $61.1 million. Comparatively, its B2B (business-to-business) revenue were up 40% at $43.3 million and B2C (business-to-consumer) revenue rose 37% year over year to $17.8 million.

It ended fiscal 2021 with a 19% market share in the Canadian flower category, which makes Canopy Growth the largest player in this vertical. The company also led the all-in-one vapes and cannabis beverage segment in fiscal 2021. Canopy's Storz & Bicker vape sales saw revenue increase by a healthy 52% year over year to $17.9 million.

Its strong performance in the recreational cannabis space was offset by weak medical marijuana sales that rose just 1% year over year to $13.7 million.

Canopy's international cannabis sales fell 2% to $15.8 million while other international sales soared by an impressive 84% to $10.7 million. It also launched multiple health and wellness CBD products under the Martha Stewart brand in the U.S.

Canopy Growth explained its massive net loss in Q4 can be attributed to a non-cash fair-value change of $292 million as well as impairment charges of $75 million due to streamlining of Canadian operations. The company continues to focus on cost efficiencies and reduced selling, general, and administrative expenses by 24% to $148.66 million. Its share-based compensation expenses also fell significantly to $18.5 million in Q4 from $78.3 million in the prior-year period.

What's next for WEED stock?

In the company's press release, Canopy Growth CEO David Klein said, "We are starting to see strong momentum across all of our key businesses and remain firmly focused on capitalizing on U.S. opportunities in Fiscal 2022."

Its acquisition of **Supreme Cannabis** will help Canopy Growth increase its market share in the recreational cannabis segment that now stands at 13.6%. Investors should also note that Canopy Growth is on track to achieve positive adjusted EBITDA in the second half of fiscal 2022.

Analysts expect WEED to narrow its earnings loss from $4.69 per share in fiscal 2021 to $0.29 per share in fiscal 2023. Bay Street forecasts WEED stock to touch $32.61 per share in the next 12 months, which is marginally higher than its current trading price of $31.81.

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